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INDEPENDENT AUDITORS' REPORT

To the Governing Board of
South Florida Water Management District
West Palm Beach, Florida

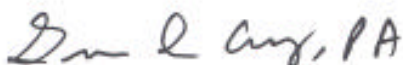
We have audited the accompanying schedule of expenditures of federal awards of South Florida Water Management District, as of and for the year ended September 30, 2000. This schedule is the responsibility of South Florida Water Management District's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule presentation. An audit also includes assessing the accounting principles used and the significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures of federal awards of South Florida Water Management District as of and for the year ended September 30, 2000, in accordance with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 2, 2001, on our consideration of South Florida Water Management District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Grau & Company, P.A.
Certified Public Accountants



January 2, 2001

Haas, Diaz & Company
Certified Public Accountants



January 2, 2001

**SOUTH FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2000**

	<u>CFDA Number</u>	<u>Federal Grant Number</u>	<u>Expenditures/ Revenue Recognized</u>
I. CASH FEDERAL FINANCIAL ASSISTANCE			
<u>U.S. Department of Interior</u>			
Stormwater Treatment Area #1 East			
Land Acquisitions	*	STA-1E	\$ 14,979,816
East Coast Buffer/Water Preserve Area			
Land Acquisitions	*	FB1	41,910
Everglades Watershed Restoration	*	LWCF-1	18,676,157
Kissimmee Prairie Ecosystem	*	14-48-98210-99-G278	613,850
Subtotal			<u>34,311,733</u>
<u>U.S. Army Corps of Engineers</u>			
Pass-through State of Florida Department of Environmental Protection			
Aquatic Plant Control Program	12.100	DACW17-85-H-0020 2-1-1	<u>500,000</u>
<u>Federal Emergency Management Agency</u>			
Pass-through State of Florida Department of Community Affairs			
Hazard Mitigation Grant	83.548	95DP-2M-13-00-21-014	9,451
Hazard Mitigation Grant	83.548	99HM-7W-13-00-15-008	103,791
Hazard Mitigation Grant	83.548	00HM-14-13-00-15-002	135,844
Hazard Mitigation Grant	83.548	00HM-P4-10-60-15-006	183,684
Disaster Housing Program	83.545	98RM-M9-13-00-16-180	23,320
Public Assistance Grant	83.544	00RM-xx-13-00-16-064	4,851
Public Assistance Grant	83.544	00RM-aa-13-00-16-028	825,791
Subtotal			<u>1,286,732</u>
<u>U.S. Environmental Protection Agency</u>			
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	X984461-98-0	51,464
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	X984643-99-0	56,139
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	X984676-99-0	4,259
Consolidated Research	66.500	R-82796201-0	92,636
Subtotal			<u>204,498</u>
<u>U.S. Geological Survey</u>			
Research and Data Acquisition	15.808	98HQAG2209	39,853
Total Cash Federal Financial Assistance			<u>36,342,816</u>
II. NON-CASH FEDERAL FINANCIAL ASSISTANCE			
<u>U.S. Army Corps of Engineers</u>			
Cost Sharing Projects	*	Various	<u>14,621,570</u>
<u>U.S. Department of Interior</u>			
Coastal Wetlands Planning, Protection and Restoration Act	15.614		588,102
Total Non-Cash Federal Financial Assistance			<u>15,209,672</u>
Total - All Federal Grantors			<u>\$51,552,488</u>

*Federal catalog number was unavailable

The accompanying notes are an integral part of this schedule.

**SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2000**

1. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All federal grant operations of South Florida Water Management District (the "District") are included in the scope of the Office of Management and Budget ("OMB") Circular A-133 audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133 Compliance Supplement. Compliance testing of requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. These programs represent federal award programs and other grants with fiscal year 2000 cash and noncash expenditures in excess of \$1,546,574 (Type A programs) or federal award programs and other grants with fiscal year 2000 expenditures less than \$1,546,574 (Type B) programs that have been tested in lieu of Type A programs, and ensure coverage of at least 50 percent of Federally granted funds. Actual coverage is approximately 67 percent of total cash and noncash federal award program expenditures.

<u>Major Federal Award Program Description</u>	<u>Fiscal 2000 Expenditures</u>
Everglades Watershed Restoration	\$ 18,676,157
Cost Sharing Projects	14,621,570
Public Assistance Grants	830,642
Hazard Mitigation Grants	<u>432,770</u>
	<u>\$ 34,561,139</u>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes all federal and state pass-through grants to the District that had activity during the fiscal year ended September 30, 2000. This schedule has been prepared on the modified accrual basis of accounting.

3. FINDINGS OF NONCOMPLIANCE

There were no findings of noncompliance identified in connection with the fiscal year 2000 Single Audit.

4. COST SHARING PROJECTS

Prior to 1998, the District entered into various Project Cooperation Agreements with the U.S. Army Corps of Engineers (COE) for programs referred to as "critical restoration projects". The projects range from Everglades restoration feasibility studies to canal and pump station construction and repair. The programs are typically long-term in nature and often span several years. The terms of the cooperative agreements require the District to provide matching expenditures ranging from 12.8% to 50% of the total project cost. For some of the agreements, the District is allowed to provide half of the match through in-kind contributions. These in-kind contributions generally consist of personnel-related costs, such as engineering services provided by District employees.

At the beginning of each fiscal year, COE notifies the District of the anticipated cash contributions. Because the COE is responsible for administering the projects, the District's role is primarily to provide the monetary and in-kind matching requirements. District transfers are made via deposits into an escrow account. All contracts are awarded through COE and the related expenditure documentation is not submitted to the District. Rather, supporting documentation for all related transactions is maintained by the COE, as expenditures do not require the preapproval of District management.

Prior to fiscal year 2000, the District did not report COE cost-sharing activity on the Schedule of Expenditures of Federal Awards. Total project expenditures through the fiscal year ended September 30, 1999 were approximately \$19,250,000, including COE expenditures of approximately \$13,000,000.

5. SUBSEQUENT EVENTS

In June 2000, the District drew a \$31,505,311 advance of federal funds for land acquisition under the Everglades Watershed Restoration Program (LWCF-1). Closing on the property was delayed and occurred shortly after fiscal year end. The funds were deposited into an interest-bearing account during the period from draw-down to settlement. Interest earned on the funds during that period of time, \$632,765, was returned to the U.S. Department of the Interior subsequent to fiscal year end.

6. CONTINGENCIES

Several lawsuits have been filed against the District regarding land acquisitions in the East Coast Buffer Area. Management does not consider that the litigation has any impact on the Schedule of Federal Expenditures.

**SOUTH FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2000**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the schedule of expenditures of federal awards of South Florida Water Management District.
2. No reportable conditions relating to the audit of the Schedule of Expenditures of Federal Awards are reported in the independent auditors' report on compliance and on internal control over financial reporting based on an audit of the schedule of expenditures of federal awards performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the schedule of expenditures of federal awards of South Florida Water Management District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the independent auditors' report on compliance with requirements applicable to each major program and Internal control over compliance in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for South Florida Water Management District expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for South Florida Water Management District are reported in Part C. of this Schedule.
7. The programs tested as major programs include:

<u>Program</u>	<u>CFDA #</u>
Everglades Watershed Restoration	*
Cost Sharing Projects	*
Public Assistance Grants	83.544
Hazard Mitigation Grants	83.548

*Federal catalog number was unavailable.

8. South Florida Water Management District was determined to be a low-risk auditee.
9. The threshold for distinguishing Type A and B programs was \$1,546,574.

B. FINDINGS - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**SOUTH FLORIDA WATER MANAGEMENT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2000**

Observation

The Accounting division occasionally does not obtain documentation from other departments within the District regarding federal and state grants. The acquisition of this information is necessary to support the District's internal control over financial reporting. The lack of adequate documentation obtained by the Accounting division resulted in several grants not being listed on the schedules of federal expenditures and state assistance prepared by District personnel for audit.

One of the items not listed on the schedule of expenditures of federal awards was a material grant, the Talisman Land Acquisition. Although the Talisman grant was a non-cash transaction, the federal government expenditures made on the District's behalf should have been included in the schedule.

Recommendation

We recommend that the District establish procedures to ensure that the Accounting division obtains adequate information regarding federal and state financial assistance to avoid omission of grants from the schedules. Knowledgeable personnel involved with the grant programs should review the schedules of federal expenditures and state assistance for completeness and accuracy.

Current Status

The District has improved their controls with respect to identifying federal and state grants. This observation is no longer considered a reportable condition. See Management Letter for current year finding.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Governing Board of
South Florida Water Management District

We have audited the schedule of expenditures of federal awards of South Florida Water Management District, as of and for the year ended September 30, 2000, and have issued our report thereon dated January 2, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether South Florida Water Management District's schedule of expenditures of federal awards is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of schedule of expenditures of federal awards amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance which we have reported to management of South Florida Water Management District in a separate letter dated January 2, 2001.


Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Florida Water Management District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the schedule of expenditures of federal awards and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the schedule of expenditures of federal awards being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting, which we have reported to management of South Florida Water Management District in a separate letter dated January 2, 2001.

This report is intended for the information and use of the Governing Board, the District's management, the Auditor General for the State of Florida, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Company, P.A.
Certified Public Accountants


January 2, 2001

Haas, Diaz & Co.
Certified Public Accountants


January 2, 2001



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**Report on Compliance and on Internal Control
Over Financial Reporting Based on an
Audit of Financial Statements Performed in
Accordance With Government Auditing Standards**

To the Governing Board of the
South Florida Water Management District:

We have audited the general purpose financial statements of the South Florida Water Management District (the "District"), a component unit of the State of Florida, as of and for the year ended September 30, 2000, and have issued our report thereon dated December 29, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control structure and its operation that we have reported to the Governing Board of the District in a separate letter dated December 29, 2000.

This report is intended solely for the information and use of the Governing Board, the District's management, the Auditor General for the state of Florida, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 29, 2000



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Governing Board of
South Florida Water Management District

Compliance

We have audited the compliance of South Florida Water Management District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2000. South Florida Water Management District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of South Florida Water Management District's management. Our responsibility is to express an opinion on South Florida Water Management District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Florida Water Management District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on South Florida Water Management District's compliance with those requirements.

In our opinion, South Florida Water Management District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2000.

Internal Control Over Compliance

The management of South Florida Water Management District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered South Florida Water Management District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of law, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Governing Board, the District's management, the Auditor General for the State of Florida, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Company, P.A.
Certified Public Accountants


January 2, 2001

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Certified Public Accountants


January 2, 2001